



Response to House Higher Education Committee September 1, 2020

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Interim Charge 5

Monitor the State Auditor's review of agencies and programs under the Committee's jurisdiction. The Chair shall seek input and periodic briefings on completed audits for the 2019 and 2020 fiscal years and bring forth pertinent issues for full committee consideration.

1. The Committee seeks information from the State Auditor's office pertaining to all audits performed (relevant to the Committee's jurisdiction), resulting in recommendations by the State Auditor's office.

The State Auditor's Office (SAO) notified MSU President, Dr. Suzanne Shipley, on June 26, 2019, that they would perform an Audit of Financial Processes at Midwestern State University. The audit objective was to determine whether selected higher education institutions have processes and related controls to help ensure they administer financial transactions in accordance with applicable requirements.

SAO released its Audit Report on Financial Processes at Midwestern State University, Report No. 20-025, in March 2020. They concluded the university established processes and related controls to help ensure that financial transactions were managed in accordance with applicable requirements. However, it should strengthen processes related to procurement card transactions, asset documentation, and financial system access requirements. Specifically:

- I. Expenditures – The University should strengthen its reviews to ensure that procurement card transactions are reviewed and approved in accordance with its internal guidelines. It should

- a. obtain and retain supporting documentation for its purchases,
 - b. establish a process to consistently document the date it initially receives goods, services or invoices, and
 - c. strengthen its reviews of procurement card transactions to ensure that purchases comply with requirements.
 - II. Assets – The University established processes for managing assets, but it should improve those processes to
 - a. ensure that it maintains supporting documentation for assets in accordance with the *SPA Process User's Guide* and the *Texas State Records Retention Schedule*, and
 - b. document its reconciliation process for its internal inventory log, SPA, and its internal financial accounting system.
 - III. Budget Transfers – The University had policies and processes in place to help ensure that budget requests were authorized and budget transfers were made in accordance with University policy. However, it should ensure that all budget transfers are approved and have the supporting documentation as required by its internal policies and procedures.
 - IV. Information Technology – The University had automated processes and controls over its financial data to ensure that it administered financial transactions in accordance with applicable statutes, rules, and policies. However, it should ensure that access to its systems is appropriately restricted.
2. The Committee seeks information regarding the status of the response to recommendations made by the State Auditor.

SAO recommendations status is:

- I.a Substantially Implemented
- I.b Substantially Implemented
- I.c Substantially Implemented
- II.a Incomplete/ Ongoing
- II.b Incomplete/ Ongoing
- III. Incomplete/ Ongoing
- IV. Substantially Implemented